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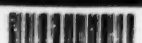

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR QUARTER ENDED May 31, 1992 Commission File Number 0-16008

ARTAGRAPH REPRODUCTION TECHNOLOGY INCORPORATED
(Exact name of registrant as specified in its charter)

ONTARIO, CANADA (State or other jurisdiction of incorporation or organization)	98-0082514 (I.R.S. Employer Identification No.)
UNIT 5, 7100 Warden Avenue, Markham, Ontario (Address of Principal executive offices)	L3R 5M7 Zip Code

Registrant's telephone number, including area code (416) 477-0252

Indicated by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the period covered by this report.

Class	Outstanding at May 31, 1992
Common Shares	14,419,785

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ARTAGRAPH REPRODUCTION TECHNOLOGY INCORPORATED

INDEX TO
QUARTERLY REPORT ON FORM 10Q FOR
THE QUARTER ENDED May 31, 1992.

PART 1 – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

PAGE

Consolidated Balance Sheets as at May 31, 1992
and May 31, 1991. 3 – 4

Consolidated Statement of Accumulated Deficit
for the six months ended May 31, 1992
for the six months ended May 31, 1991 5

Consolidated Statement of Loss
for the six months ended May 31, 1992
for the six months ended May 31, 1991 6

Consolidated Statement of Cashflow
for the six months ended May 31, 1992
for the six months ended May 31, 1991 7

Notes to Consolidated Financial Statements 8 – 20

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF
OPERATIONS 21 – 24

PART II – OTHER INFORMATION 25

SIGNATURES 26

ARTAGRAPH REPRODUCTION TECHNOLOGY INCORPORATED

CONSOLIDATED BALANCE SHEET AS AT MAY 31, 1992
(IN CANADIAN DOLLARS)

	May 31, 1992 (UNAUDITED)	RESTATED May 31, 1991 (UNAUDITED)	Nov 30, 1991 (AUDITED)
ASSETS			
CURRENT ASSETS			
Cash	$29,096	$201,150	-
Subscriptions Receivable (Note 10)	-	149,500	
Accounts receivable (Note 3)	1,161,424	669,297	742,074
Accounts receivable - Nihon Keizai Advertising Co. Ltd.	5,450	4,696	432,410
Inventories (Note 4)	1,912,954	1,374,308	1,936,036
Prepaid expenses and deposits	417,523	205,090	334,657
	3,526,459	2,594,043	3,445,176
CAPITAL ASSETS			
Equipment, furniture and fixtures	585,789	576,303	581,501
Moulds	318,400	285,679	308,099
Leasehold improvements	374,290	369,369	374,290
Artwork	72,536	72,536	72,536
	1,351,015	1,303,887	1,337,426
Less: Accumulated amortization	(872,610)	(777,360)	(820,474)
	478,406	526,537	516,952
OTHER ASSETS			
Art reproduction rights (Net of amortization - see Note 5)	12,164	26,022	19,130
	$4,017,028	$3,146,602	$3,981,258

See notes to unaudited consolidated financial statements.

ARTAGRAPH REPRODUCTION TECHNOLOGY INCORPORATED

CONSOLIDATED BALANCE SHEET AS AT MAY 31, 1992
(IN CANADIAN DOLLARS)

	May 31, 1992 (UNAUDITED)	RESTATED May 31, 1991 (UNAUDITED)	Nov 30, 1991 (AUDITED)
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Bank indebtedness	-	-	$102,789
Accounts payable and accrued liabilities	1,247,732	1,306,367	1,437,842
Royalties Payable - Esstra Industries Corp. (note 11)	-	226,675	192,628
Loan Payable - Esstra Industries Corp. (note 7)	50,000	100,000	100,000
Accounts Payable - related party (note 6)	461,872	292,650	462,510
Loans Payable (note 8)	652,000	-	-
	2,411,604	1,925,692	2,295,769
COMMITMENTS AND CONTINGENT LIABILITIES (Note 11 & 13)			
STOCKHOLDERS' EQUITY			
Common stock (Note 10)			
Issued 14,419,785 Common shares (1991 - 13,162,380)	12,871,986	12,271,923	12,871,836
Deficit per statement	(11,296,562)	(11,049,013)	(11,186,148)
	1,805,424	1,222,910	1,685,480
	$4,017,028	$3,148,602	$3,981,256

See notes to unaudited consolidated financial statements.

ARTABRAPH REPRODUCTION TECHNOLOGY INCORPORATED

CONSOLIDATED STATMENT OF ACCUMULATED DEFICIT
(IN CANADIAN DOLLARS)

	THREE MONTHS ENDED May 31, 1992 (UNAUDITED)	RESTATED THREE MONTHS ENDED May 31, 1991 (UNAUDITED)	SIX MONTHS ENDED May 31, 1992 (UNAUDITED)	RESTATED SIX MONTHS ENDED May 31, 1991 (UNAUDITED)
EFICIT - beginning of period	($11,277,521)	($10,818,374)	($11,186,146)	($10,308,370)
ET INCOME (LOSS) - for period	10,959	(230,639)	(80,416)	(740,643)
EFICIT - end of period	($11,266,562)	($11,049,013)	($11,266,562)	($11,049,013)

See notes to unaudited consolidated financial statements.

ARTAGRAPH REPRODUCTION TECHNOLOGY INCORPORATED

CONSOLIDATED STATEMENT OF LOSS

	THREE MONTHS ENDED May 31, 1992 (UNAUDITED)	RESTATED THREE MONTHS ENDED May 31, 1991 (UNAUDITED)	SIX MONTHS ENDED May 31, 1992 (UNAUDITED)	RESTATED SIX MONTH ENDED May 31, 199 (UNAUDITE
SALES	$1,072,822	$1,519,661	$2,234,266	$2,674,09
COST OF GOODS SOLD	442,880	852,696	1,071,231	1,400,76
GROSS PROFIT	629,942	666,965	1,193,066	1,273,29
EXPENSES				
Selling (note 9)	230,498	179,243	508,187	971,07
General and administrative	365,328	689,745	723,642	985,44
	595,826	868,988	1,231,829	1,956,51
Amortization of art reproduction rights	5,000	12,000	10,000	24,00
Bank charges and interest	3,066	2,828	6,364	5,20
Loan interest	15,185	14,842	25,520	29,84
Interest earned	(84)	(854)	(272)	(1,82
TOTAL EXPENSES	618,983	897,804	1,273,471	2,013,94
INCOME (LOSS) BEFORE INCOME TAXES	10,959	(230,839)	(80,416)	(740,64
INCOMES TAXES (note 12)	0	0	0	
NET LOSS	$10,959	($230,839)	($80,416)	($740,64
NET INCOME (LOSS) PER COMMON SHARE	$0.001	($0.018)	($0.006)	($0.06
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	14,419,785	12,602,380	14,419,785	12,602,38

See notes to unaudited consolidated financial statements.

ARTAGRAPH REPRODUCTION TECHNOLOGY INCORPORATED

CONSOLIDATED STATEMENT OF CASHFLOW

(IN CANADIAN DOLLARS)

	THREE MONTHS ENDED May 31, 1992 (UNAUDITED)	SIX MONTHS ENDED May 31, 1992 (UNAUDITED)	SIX MONTHS ENDED May 31, 1991 (UNAUDITED)
OPERATING ACTIVITIES			
Net profit / (loss)	$10,959	($80,416)	($740,843)
Add: Items not requiring an outlay of cash			
Amortization of art reproduction rights	5,000	10,000	24,000
Depreciation and amortization	26,101	52,136	71,439
	42,060	(18,280)	(645,204)
Accounts receivable	(415,434)	(420,112)	19,225
Accounts receivable – Nihon Kazai Advertising Co. Ltd.	(5,460)	427,712	–
Inventories	36,062	23,361	268,030
Prepaid expenses and deposits	(1,947)	(82,866)	101,943
Accounts payable and accrued liabilities	(174,211)	(190,110)	(24,987)
Royalties payable Eastra Industries Corp.	–	(192,828)	157,875
Accounts payable – related party	(17,885)	(836)	(42,713)
Cash used by operating activities	(534,795)	(453,841)	(146,831)
INVESTMENT ACTIVITIES			
Acquisition of fixed assets and Art reproduction rights	(4,288)	(16,823)	(29,391)
Cash provided by (used by) investment activities	(4,288)	(16,823)	(29,391)
FINANCING ACTIVITIES			
Issue of common stock	351	351	172,500
Short term loans	662,000	662,000	100,000
Short term loan – Eastra Industries Corp.	(50,000)	(50,000)	–
Bank overdraft	(34,170)	(102,789)	–
Cash provided by financing activities	568,181	499,562	272,500
INCREASE (DECREASE) IN CASH	29,098	29,098	97,878
CASH, BEGINNING OF PERIOD	0	0	104,072
CASH, END OF PERIOD	$29,098	$29,098	$201,150
Supplemental disclosure of cash flow information:			
Interest paid in year	$3,452	$36,113	$3,000
Income Taxes paid in year	$0	$0	$0

See notes to unaudited consolidated financial statements.

1. INCORPORATION AND OPERATIONS

The Company was incorporated in Canada on January 24, 1986 under the Business Corporations Act, 1982 (Ontario) and commenced manufacturing operations in Toronto, Canada in September 1986 and commenced sales in March 1987.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

The accompanying Consolidated Financial Statements include the accounts of the Company and its three wholly owned subsidiaries:

Artagraph Reproduction Technology (USA) Corporation
Artagraph Reproduction Technology Corporation
Artagraph Reproduction Technology Direct Corporation

which were incorporated in the State of Delaware on August 19th, 1987.

The operations of the wholly-owned subsidiaries were discontinued as of November 30, 1988.

All intercompany balances and transactions were eliminated on consolidation.

(b) Inventories

Inventories are valued at the lower of cost and net realizable value.
Cost is determined on a first-in first-out basis.

(c) Trade Shows and Promotional Programs

The cost of trade shows and promotional programs are amortized over a maximum period of one year from the commencement date of each program. The unamortized costs of these programs are included in the balance sheet as prepaid expenses.

SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Capital assets

Capital assets, excluding moulds and original art, are recorded at cost and amortized on the declining balance method at rates sufficient to substantially amortize the cost of the assets over their estimated useful lives as follows:

Equipment, furniture and fixture	20% per annum
Leasehold improvements	Term of lease
Artwork (original works of art)	Not amortized

Moulds are recorded at cost and are amortized on the unit-of-production method which is sufficient to amortize the cost of the moulds over their estimated lives.

(e) Art Reproduction Rights

Art reproduction rights are recorded at cost and are amortized over their estimated useful lives on a straight line basis over a period of three years.

(f) Translation of foreign currencies

These financial statements are presented in Canadian dollars at exchange rates prevailing at the transaction date. Current monetary assets and current monetary liabilities are translated at the exchange rate prevailing at balance sheet date.

Foreign currency exchange gains and losses were charged to general and administration expenses.

(g) Stock options

The gain or loss from the stock options issued under various option plans are amortized over a period not exceeding the current fiscal year.

(h) Earnings (Loss) per share

Earnings (Loss) per share amounts are based on the weighted average number of common shares outstanding during the year and has been calculated in accordance with Canadian generally accepted accounting principles. Earnings per share in accordance with U.S. generally accepted accounting principles are disclosed in Note 14.

SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Management representations

In the opinion of management, all adjustments necessary for a fair presentation of the financial position at May 31, 1992 and May 31, 1991 and results of operations, changes in financial position and related note disclosures for the six month period ended May 31, 1992 and May 31, 1991 have been made.

3. ACCOUNTS RECEIVABLE

Accounts Receivable consists of the following:

	1992	Restated 1991
Trade Accounts Receivable	$1,334,147	$784,208
Sundry Receivables	50,946	21,748
	1,385093	805,956
Less: Allowance for Bad Debts	223,669	146,659
	$1,161,424	$659,297

4. INVENTORIES

	1992	Restated 1991
Inventories consist of the following:		
Finished goods	$ 219,989	$293,672
Work in process	1,115,525	705,765
Raw materials	577,440	374,871
	$1,912,954	$1,374,308

5. ART REPRODUCTION RIGHTS

	1992	Restated 1991
Art reproduction rights, at cost	$441,873	$438,838
Less:Accumulated amortization	429,709	410,816
	$ 12,164	$ 28,022

6. ACCOUNTS PAYABLE - RELATED PARTY

Accounts payable in the amount of $461,872 (1991 - $292,650) is due to Herzig Somerville Limited, a company controlled by Ernest Herzig, a member of the Board of Directors of the Company. These amounts due are in respect of inventory purchases, $67,374 for the six months ended May 31, 1992 (1991 - $187,786). During 1991 the Company entered into an agreement with Herzig Somerville Limited with respect to the orderly retirement of accounts payable owing by the Company to Herzig Somerville Limited. In consideration of Herzig Somerville Limited entering into such agreement, the Company is to pay to Herzig Somerville Limited interest monthly on the first day of each and every month commencing February 1, 1991 on the balance from time to time during the previous month of such payables which are aged in excess of 60 days from the date of invoice, at an interest rate equal to 1% in excess of the prime interest rate charged by the Canadian Imperial Bank of Commerce from time to time. As further consideration, Herzig Somerville Limited was granted a stock option to purchase 50,000 of the Company's Common shares at a price of Cdn $0.01 per share, which option is exercisable in whole or in part, at any time or times during the three year period from December 27,1990.

Due to the experienced liquidity shortage, the Company was unable to meet the payment schedule agreed to with Herzig Somerville Limited with respect to the orderly retirement of accounts payable owing by the Company to it. Recognizing this, Herzig Somerville Limited has provided the Company with flexible payment terms. It is the Company's intention to bring Herzig Somerville Limited current during the fiscal year 1992 and to grant Herzig Somerville Limited, an option to purchase 150,000 Common shares at an exercise price of Cdn $1.00 per share in consideration for such terms.

7. LOAN PAYABLE - ESSTRA INDUSTRIES CORP.

Loan amount of $50,000 is due to Esstra Industries Corp., a former shareholder of the Company. Esstra Industries Corp., receives royalties on sales as referred to in note 11. The loan is being secured by a promissory note, and a general assignment of book debts to a maximum amount of $400,000, bears interest at the Canadian Imperial Bank of Commerce prime lending rate plus 2% per annum. This loan will be repaid from the proceeds of the share offering referred to in note 10.

8. LOANS PAYABLE

	1992	1991
Sasson Matatyhu, in Trust	150,000	-
Bridge financing loan (note 10)	502,000	-
	$652,000	$ -

The loan amount of $150,000 due to Sasson Matatyhu, in Trust was received during the quarter ended May 31, 1992, bears interest at the rate of 10% per annum which is payable monthly and is secured by a General Security Agreement. In addition to interest the lender has been granted options to purchase 120,000 common shares at an exercise price of US$0.50 per share. These options will expire February 28, 1996. This loan is repayable as follows:

July 1, 1992	$ 50,000
August 1, 1992	50,000
August 31, 1992	50,000
	$150,000

A bridge financing loan, in the amount of $502,000 was received during the quarter ended May 31, 1992 in conjunction with the public offering referred to in note 10. This loan bears interest at the rate of 10% per annum, is secured by a General Security Agreement and is to be repaid from the proceeds of the public offering referred to in note 10, but in any event no later than December 31, 1992. In addition to interest the lenders have been granted options to purchase 1,300,000 common shares at an exercise price of US $0.20 per share. These options will expire March 31, 1994.

9. SELLING EXPENSES

	1992	Restated 1991
Royalties (note 11)	$ 126,000	$ 374,898
Program promotions and Trade Shows	207,824	404,671
Consulting fees:		
Home Furnishings segment	-	75,200
Travel	66,298	79,832
Salaries and consulting	83,400	-
Other	24,665	36,470
	$508,187	$971,071

10. COMMON STOCK

Common stock of the company is as follows:

Authorized - Unlimited common shares	1992	1991
Issued		
14,389,785 common shares (1991 - 12,602,380)	$12,871,635	$11,949,923
Common shares issued second quarter 30,000 common shares (1991 560,000)	351	322,000
Total common shares outstanding 14,419,785 (1991 - 13,162,380)	$12,871,986	$12,271,923

During the quarter ended May 31, 1992, options which were granted in 1991 as part of the private placement to purchase 30,000 common shares were exercised for consideration of $351.

Subscriptions receivable as at May 31, 1991 of $149,500 relate to the balance of proceeds due from private placements in May 1991.

On March 6, 1992 the Company entered into a letter of intent to enter into a definitive Underwriting Agreement with J. Gregory & Company Inc., Investment Bankers, to underwrite on a firm commitment basis, an offering of 700,000 "units", at US$5 per unit for gross proceeds of US$3,500,000. Each unit will consist of a (1) share of 12% Convertible Preferred Stock with a 12% cumulative dividend and two (2) common share purchase warrants.

10. COMMON STOCK ...continued

The proceeds of the funds from this Public Offering will be used as follows:

	US
Repayment of the balance of the loan from Esstra Industries Inc. (note 7)	$ 43,000
Purchase Intellectual property, patents and the Licensing Agreement from Esstra Industries Corp. (note 11)	1,200,000
Repayment of the loan from Sasson Matatyhu In Trust (note 8) (Cdn $150,000)	132,000
Repayment of the Public Offering Bridge Financing Loan (note 8)	425,000
Escrow amount of preferred share dividend payment	420,000
Working capital and cost of issue	1,280,000
Gross proceeds of public offering	$3,500,000

11. COMMITMENTS AND CONTINGENT LIABILITIES - ROYALTIES

The Company is committed to pay royalties pursuant to a License Agreement, based on units sold, to Esstra Industries Corp. for the exclusive worldwide rights to manufacture, distribute and sell Artagraphs with annual minimum royalty payments for 1991 and each subsequent year of $650,000.

The minimum royalty payments are payable in equal quarterly instalments. For each year, the first three quarterly royalty instalments shall be the greater of one quarter of the annual minimum royalty payment and 20% of the royalty payment of the previous year. This agreement will expire on August 31, 1996, and may be renewed for an additional ten years subject to the renewal terms of the agreement between the Company and Esstra Industries Corp.

During the quarter ended May 31, 1992, Esstra Industries Corp. agreed, by way of a Memorandum of Agreement to sell to the Company all the patents and intellectual property owned by Esstra Industries Corp. as well as the License Agreement for the amount of US $3,225,000. The purchase price is to be satisfied on closing as follows:

Cash on closing	US $1,200,000
Promissory Note due to Esstra Industries Corp.	2,025,000
	$3,225,000

The Promissory Note is to provide that the Principal shall be payable at the rate of US $25,000 per month for twelve consecutive months commencing one month after closing, and thereafter at the rate of US $175,000 per month for six consecutive months (with the exception of the first payment which shall be $200,000) with the outstanding balance payable in full on the first day of the nineteenth month following the closing.

The Promissory Note shall provide that interest shall be calculated and payable monthly, not in advance at the bank's Canadian Dollar commercial loan rate plus 1 3/4% per annum commencing twelve months after the closing date. Interest shall be payable on each date that a principal payment is due. The Promissory Note shall be open for repayment at any time or times without notice, penalty or bonus.

The indebtedness of the Company to Esstra pursuant to the Promissory Note shall be reduced by the Company from time to time by an amount equal to 50% of the net proceeds received by the Company from the sale of any securities including the exercise of any warrants issued in connection with it's proposed offering of Convertible Preferred stock and warrants referred to in note 10, promptly after receipt of such proceeds.

11. COMMITMENTS AND CONTINGENT LIABILITIES - ROYALTIES ...continued

As security for the obligation of the company pursuant to the Promissory Note, the Company shall grant Esstra a security interest over the patents and intellectual property being assigned. In the event that the Company fails to make any payment of principal or interest, or becomes insolvent,prior to Esstra having received all amounts due and owing to it pursuant to the promissory note, Esstra shall be entitled to realize upon such security.

If the above-noted closing should not take place on or before December 31, 1992, the Company shall pay Esstra Industries Corp. all royalties pursuant to the License Agreement as referred to above as if the Memorandum of Agreement had never been entered into.

During the period, six months ended May 31, 1992, the Company has provided for royalties expense in the amount of $126,000 which approximates amortization for various patents and other intellectual property to be purchased under the Memorandum Agreement referred to above. During the period six months ended May 31, 1991 royalties expense incurred was $374,898.

Pursuant to the Memorandum of Agreement referred to above, royalties in the approximate amount of $435,000 that relate to the period September 30, 1991, the effective date of the Memorandum of Agreement to May 31, 1992 have not been reflected in these financial statements. If the purchase and sale agreement does not close, then these royalties, less $126,000 already provided for, will be expensed in 1992.

12. INCOME TAXES

There are no current or deferred income taxes payable in Canada or the United States.

The Company has accounting losses for Canadian and U.S. income tax purposes of approximately $10,996,000 available for deduction against future years' earnings, the benefit of which has not been recognized in these financial statements.

These losses expire as follows:

	Canadian	U.S.	Total
1993	$ 634,000	$ -	$ 634,000
1994	1,650,000	-	1,650,000
1995	1,349,000	-	1,349,000
1996	992,000	-	992,000
1997	3,491,000	-	3,491,000
1998	870,000	-	870,000
1999	80,000	-	80,000
2002		400,000	400,000
2003		1,530,000	1,530,000
	$9,066,000	$1,930,000	$10,996,000

13. LEASE OBLIGATIONS

Annual lease obligations for office, showroom and factory premises under operating leases are as follows:

1992	177,000
1993	56,000
1994	23,000
TOTAL	$256,000

(STATED IN CANADIAN DOLLARS)

14. RECONCILIATION BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles ("Canadian G.A.A.P."). These principles differ in some respects from the United States generally accepted accounting principles ("U.S. G.A.A.P."). The effect of such differences on the Company's consolidated balance sheet and consolidated statement of loss is as follows:

	May 31, 1992		RESTATED May 31, 1991	
	Canadian G.A.A.P.	U.S. G.A.A.P.	Canadian G.A.A.P.	U.S. G.A.A.P.
Consolidated Balance sheet:				
Capital Stock issued	$12,871,986	$14,834,598	$12,271,923	$14,234,536
Accumulated Deficit	($11,266,562)	($13,229,174)	($11,049,013)	($13,011,625)
Shareholder's equity	$1,605,424	$1,605,424	$1,222,910	$1,222,910

The accumulated difference between Canadian G.A.A.P. and U.S. G.A.A.P. is due to the difference in recognition of compensation cost as referred to below.

	May 31, 1992 (six months)	RESTATED May 31, 1991 (six months)
Consolidated statement of operations:		
Net loss under Canadian G.A.A.P.	($80,416)	($740,843)
Add: Compensation under stock option plan	0	0
Net loss under U.S. G.A.A.P.	($80,416)	($740,843)
Net loss per common share under U.S. G.A.A.P.:		
Before compensation under stock option plan	($0.006)	($0.054)
After compensation under stock option plan	($0.006)	($0.054)
Weighted average number of shares U.S. G.A.A.P.	14,404,785	13,653,780

14. **Reconciliation between Canadian and United States Generally Accepted Accounting Principles...continued**

Opinion 25 of the Accounting Principles Board requires that an employer recognize compensation costs for stock issued through non - variable employee stock option plans as the difference between the quoted market price of the stock at the measurement date (the date of the grant of the option) less the amount the employee is required to pay. In Canada, such costs are not recognized until the option is exercised.

During the six months ended May 31, 1992 and May 31, 1991, no compensation costs relating to stock options issued to employees and recognized under U.S. G.A.A.P. were incurred.

Opinion 15 of the Accounting Principles Board requires that for U.S. G.A.A.P. purposes the Company follow the "Treasury Stock Method" in determining the weighted average number of shares. This method results in a difference in the weighted average number of shares as determined in accordance with Canadian G.A.A.P.

For U.S. G.A.A.P. purposes the "Treasury Stock Method" increases the weighted average number of shares by a factor which takes into consideration the number of stock options outstanding, the exercise price of these stock options and the quoted market price for the Company's shares. No such calculation is required under Canadian G.A.A.P. to determine the weighted average number of shares.

15. **FUTURE OPERATIONS**

The accompanying financial statements have been prepared on the basis of accounting principles applicable to a going concern. The ability to realize the carrying value of assets reported in the consolidated financial statements is dependent upon the attainment of profitable operations and the continued financial support of its creditors and the successful completion of the public offering referred to in note 10. The consolidated financial statements do not reflect adjustments that might be necessary should profits not be attained, or should the support not be continued or should the public offering not be successfully completed.

16. CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with instructions to S.E.C. form 10Q and Article 10 of Regulation SX. Accordingly, certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with generally accepted accounting principles have been omitted. It is suggested that these unaudited consolidated financial statements be read in conjunction with the audited consolidated financial statements and notes thereto included in the company's 10K for the year ended November 30, 1991.

17. COMPARATIVE FIGURES

The comparative figures have been reclassified where necessary to conform with the current year's presentation and have been restated for the six months ended May 31, 1991 to reflect required inter-period adjustments within the fiscal year ended that were disclosed in the preparation of annual financial statements for the year ended November 30, 1991. The adjustments that resulted in this restatement are as follows:

Loss from operations as originally reported for the six months ended May 31, 1991		$177,643
Restatement adjustments:		
Cost of sales	$100,000	
Selling expenses	140,000	
General and administrative	140,000	
Royalties	174,000	
Interest	9,000	
	$563,000	
		563,000
Loss from operations as restated for the period six months ended May 31, 1991		$740,643

The effect of the above noted adjustments was to increase the net loss for the six months ended May 31, 1991 by the amount of $563,000. Loss for the fiscal year ended November 30, 1991 remains at $877,776. The figures for the six months ended May 31, 1992 and May 31, 1991 are unaudited.

ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Sales for the six months ended May 31, 1992 were $2,264,286 a decrease of $409,808 over the corresponding period last year. Second quarter sales were $1,072,622, a decrease of $447,039 over the corresponding quarter in 1991. This decrease in sales is due to (1) a one-time publishing contract in May 1991 of $400,000 (2) decrease in sales to a Japanese distributor of approximately $350,000 as compared to the corresponding period last year (3) losses in sales referred to were offset by increase in sales to the home furnishings segment of approximately $300,000 as compared to the corresponding period.

Gross Profit for the six months ended May 31, 1992 amounted to $1,193,055 a decrease of $80,242 or 6.3% from the corresponding period in 1991. Gross Profit as a percentage of sales amounted to 52.7% for period ended May 31, 1992, as compared to 47.6% for the corresponding period in 1991. Improvement in gross margins reflect a favourable sales mix of products sold and exchange rate between Canadian and U.S. Dollar. Almost all of the Company's sales are in U.S. Dollars.

Selling Expenses for the six months ended May 31, 1992 amounted to $508,187 representing a decrease of $462,884 or 47.7% from the corresponding period in 1991. This decrease is attributed (1) a decrease of $248,898 of royalty expense for the six months ended May 31, 1992 due to the termination of the royalty payments to Esstra Industries Corp., see note 11 to the financial statements. Royalty payments previously expensed is to be replaced by a significantly lower amortization charge of patents and intellectual property upon purchase of Esstra agreement referred to in note 11 and (2) a decrease of $196,847 of trade shows and programme promotions which reflects the change in emphasis of the Company's marketing efforts from direct mail to home furnishings and distributorships.

General and Administrative expenses for the six months ended May 31, 1992 were $723,642 a decrease of $261,800 or 26.6% from the corresponding period in 1991. This decrease reflects management's efforts to curb expenses resulting in lower payroll and payroll benefit costs, lower freight, telephone and in general all administration expenses.

Amortization of Art Reproduction Rights for the six months ended May 31, 1992 amounted to $10,000 a reduction of $14,000 from the corresponding period in 1991. This decrease is due to lower additions to Art Reproduction Rights during the previous two years as the Company's policy is to amortize such costs over three years on a straight line method.

The Net Loss for the six months ended May 31, 1992 was $80,416 compared to a net loss of $740,643 for the corresponding period last year, representing a decrease of $660,227.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES

During the previous fiscal year ended November 30, 1991 and the period six months ended May 31, 1992 the Company experienced a liquidity shortage. The liquidity shortage continues despite the Company's increased level of sales and its reduction in overhead expenses. During the previous fiscal year the Company took steps to address this shortage, including renegotiating the terms of its royalty payments with Esstra under the License Agreement, curtailing discretionary expenditures and reducing payroll costs, raising funds through private placement and the exercise of warrants (see below) by reducing the exercise price to US$0.40 per share. The liquidity shortage will persist until the completion of the proposed Offering. There can be no assurance that the Offering will be completed or that the Company will be successful in obtaining alternative financing if necessary. Assuming successful completion of the Offering the Company intends using approximately US$ 530,000 of the proceeds for working capital. In Management's opinion, the proceeds from the Offering in conjunction with working capital provided by operations should enable the Company to meet its obligations for a minimum of twelve months.

Sales increased 57% during the fiscal year ended November 30, 1991 over 1990 levels. Although, sales for the period six months ended May 31, 1992 were lower than the corresponding period last year, Management expects that the trend to increase it's annual sales will continue and reach levels in 1992 adequate to sustain the Company's operations. Anticipated increases are expected to come from:

a) expanded offshore distribution. The Company added new international distributors last year and in the first quarter of this year and anticipates increased sales volume as a result.

b) continued expansion into the Home Furnishings market. The sales into this marketplace increased from approximately $800,000 for the fiscal year ended November 30, 1990 to $1,650,000 for the fiscal year ended November 30, 1991, and, from approximately $598,000 for the six month period ended May 31 1991 to $1,106,000 for the period six months ended May 31, 1992.

c) the introduction of new product lines including wall decor which retails for between $195 to $495 as compared to retail prices for the Company's Artagraph Editions of between $595 and $$1,250. Industry studies indicate that over 50% of all wall decor sold in the Home Furnishings market retail for between $150 and $495. Additional new products calendars and A.R.T. Awards to be used in premium/ Incentive programs.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES ...continued

In addition, the Company continues to pursue cost reductions in the areas of employee benefits, structured programs to reduce freight charges on shipped goods, tighter inventory controls, and elimination of royalty payments assuming successful conclusion of the Offering. The royalty payments, which were $574,009 for the year ended November 30, 1991 and $573,419 for the year ended November 30,1990 will be replaced with an amortization charge of approximately $215,000, however, such charge does not incur cash outflow.

To assist the Company in meeting it's working capital requirements until the completion of the this offering, the Company has obtained two short term loans, the first in the amount of Cdn$150,000 and the second for US$425,00C. The Cdn.$150,000.00 loan was provided to the Company as to $100,000.00 on March 2, 1992 and the balance of $50,000 on March 12, 1992 by Sasson Matatyhu in Trust ("Matatyhu"). This loan bears interest at the rate of 10% per annum payable monthly in arrears. As additional consideration for this loan, the Company issued Matatyhu an option to purchase 120,000 common shares at an exercise price of US$0.50 per share. These options are exercisable at any time or times on or before February 28, 1996 subject to the Company's right to obtain a lock-up agreement with respect to those shares underlying those options for a period of six months commencing no later than June 30, 1992. The US$425,000 loan bears interest on the principal balance equal to 10% per annum. As additional consideration for this Loan, the holders received warrants to purchase 475,000 Common Shares of the Company at an exercise price of US$0.60 per share. These warrants will expire on the second anniversary of their issue.

In connection with the above loans the Company granted the lenders general security interest in all of the assets of the Company. Both loans are intended to be repaid from the proceeds of the Offering.

Working Capital at May 31, 1992 amounted to $1,114,855 an increase of $446,504. over the corresponding period last year when Working Capital amounted to $668,351. This increase is attributable primarily to issuance of capital stock amounting to $1,465,405 offset by losses incurred during the last two quarters in the fiscal year ended November 30, 1991. Fluctuations in main components of working capital, notably accounts receivable, inventories and prepaid expenses are explained below.

Accounts Receivable at May 31, 1992 totalled $1,166,884 an increase of 502,889 over May 31, 1991 balance and a decrease of $7,600 from November 30, 1991 balance. The increase over corresponding period last year reflects higher sales in May 1992 as compared to May 1991.

LIQUIDITY AND CAPITAL RESOURCES ...continued

The allowance for bad debts at May 31, 1992 amounted to $223,669 (1991 - $146,659) compared to $224,420 as at November 30, 1991, the Company's fiscal year end. The increase over the corresponding period in 1991 reflects amounts provided during the quarter ended November 30, 1991 of $118,000 in respect of accounts receivable from an overseas distributor currently in receivership.

Inventory levels at May 31, 1992 were $1,912,954 an increase of $538,646 over the same period last year, and a decrease of $23,081 over the November 30, 1991 balance. Increase over the corresponding quarter end last year reflects Artagraphs and Works of Art lines added during the last three quarters of fiscal year ended November 30, 1991.

Prepaid Expenses at May 31, 1992 were $417,523 an increase of $212,433 over the same period last year and an increase of $82,866 over the November 30, 1991 balance. The increase over the same period in 1991 and the previous year end balance reflects the cost of new catalogues and brochures.

There were no significant fixed asset purchases during the six months ended May 31, 1992. The Company has no significant commitments or plans requiring funding for investment activities in 1992 other than purchase of the royalty agreement - see note 11 to the financial statements.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings - None

Item 2. Changes in Securities - None

Item 3. Defaults upon Senior Securities - None

Item 4. Submission of matters to a vote of Security Holders - None

Item 5. None

Item 6. Exhibits and Reports on Form 8-K - None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ARTAGRAPH REPRODUCTION TECHNOLOGY INCORPORATED
(Registrant)

Dated: July 1, 1992

By: _____
Maren Leava
Chief Financial Officer
and on behalf of Chairman of the Board
and authorized signatory on behalf of the
Registrant